

## Message Text

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PAGE 01 OTTAWA 04546 162251Z

63

ACTION EUR-12

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CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07

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POUCHED INFO ALL CONSULATES IN CANADA

E.O. 11652: N/A

TAGS: SENV, PGOV, PDEV, ENRG, CA

SUBJ: KITIMAT PIPELINE PROPOSAL

1. SUMMARY. EMBASSY OFFICER VISITED KITIMAT, BRITISH COLUMBIA, NOVEMBER 4-5, WHERE GENERAL POPULATION IS WAITING ANXIOUSLY FOR DECISIONS ON WHETHER OIL PIPELINE WILL BE BUILT FROM KITIMAT TO EDMONTON TO TRANSPORT ALASKAN CRUDE. SENTIMENT TENDS TO BE RECEPTIVE TO PIPELINE, ALTHOUGH STRONG OPPOSITION IS COMING FROM ENVIRONMENTALISTS AND MAY COME FROM OTHERS. END SUMMARY.

2. KITIMAT ROUTE APPEARS TO BE EASIEST TECHNICALLY, SHORTEST AND BEST DESIGNED ROUTE TO SERVE THE U.S. MID-WEST. 750-MILE PIPELINE FROM KITIMAT TO EDMONTON WOULD FOLLOW GAS PIPELINE ALREADY IN PLACE AND HYDRO RIGHT-OF-WAY. NEITHER CLIMATE NOR SEISMIC ACTIVITY IN AREA IS SEVERE (ALTHOUGH "KITIMAT", IN INDIAN LANGUAGE, MEANS "PEOPLE OF THE SNOW").

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PAGE 02 OTTAWA 04546 162251Z

3. DESPITE ITS NARROW SEA PASSAGE, TANKER ROUTE TO KITIMAT

MAY NOT BE AS DANGEROUS TO NAVIGATE AS ONE MIGHT THINK. IT IS APPROACHED THROUGH A FJORD WHICH IS SOME FIFTY MILES LONG AND SIX HUNDRED FEET DEEP WITH SHEER CLIFFS ON BOTH SIDES. THE WATERS ARE RELATIVELY STILL, AND THE TIDE NOT GREAT. THERE IS NOTHING FOR TANKER BOTTOM TO SCRAPE AND SIDES ARE SO STEEP IT IS HARD FOR A LAYMAN TO CONCEIVE OF A MAJOR PROBLEM DEVELOPING IF TUGS USED AS PLANNED. GIVEN THE GEOGRAPHY, ONE WOULD THINK BOOMS COULD BE STRETCHED ACROSS THE AREA QUICKLY TO PICK UP ANY SPILLS. THE LOCAL HARBORMASTER, HOWEVER, DID INDICATE SITUATION WAS MORE DIFFICULT OUTSIDE THE FJORD WHERE APPROACHING VESSELS MUST TRAVERSE MUCH SHALLOWER WATER AND WEND THEIR WAY AMONG NUMEROUS ISLANDS. THIS LATTER AREA IS ALSO PRIMARY FISHING GROUND FOR NATIVE PEOPLES. ENVIRONMENTAL ASSESSMENTS WILL BE CRITICALLY IMPORTANT IN DETERMINING DECISION ON KITIMAT PIPELINE PROPOSAL.

4. NATIVE PEOPLES DO NOT PRESENT A LAND CLAIMS ISSUE. RIGHTS OF WAY FOR PROPOSED PIPELINE EXIST, AND NONE TRAVERSE NATIVE PEOPLES' LAND. INDIANS IN AREA TEND TO BE FAVORABLY DISPOSED TOWARDS INVESTMENT WHICH WOULD PROVIDE INCREASED EMPLOYMENT OPPORTUNITIES FOR THEM, BUT THEY ARE ALSO CONCERNED ABOUT THEIR TRADITIONAL FISHING GROUNDS. MOST INDIANS ARE FISHERMEN, AND THEY SEEM CONVINCED, NOT UNREASONABLY, THAT ANY SPILL WOULD PROBABLY OCCUR IN AREAS WHERE THEY FISH. THIS CONCERN MAY PROVOKE OPPOSITION TO PIPELINE PROPOSAL UNLESS THE INDIANS BECOME CONVINCED THAT PIPELINE WILL REDOUND TO THEIR BENEFIT IN OTHER WAYS.

5. INDUSTRY IN AREA IS STILL NONCOMMITTAL. KITIMAT COMMUNITY IS SMALL, IN RELATIVE HARMONIOUS BALANCE, AND DOMINATED BY TWO LARGE EMPLOYERS, ALCAN AND EUROCAN. THE LATTER IS A FINNISH-CONTROLLED PULP AND PAPER COMPANY WHICH EXPORTS TO EUROPE AND JAPAN -- AND THUS HAS A SPECIAL STATUS WITH GOC AS IT REPRESENTS A CLEAR "THIRD OPTION" INVESTMENT. EUROCAN'S DIRECTOR EXPRESSED CONSIDERABLE CONCERN OVER IMBALANCES WHICH CONSTRUCTION ACTIVITY MIGHT BRING TO THE LABOR MARKET. HE FLATLY STATED THAT, IF WAGE AND PRICE STRUCTURE WERE THROWN LIMITED OFFICIAL USE

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PAGE 03 OTTAWA 04546 162251Z

TOO MUCH OUT OF KILTER, EUROCAN WOULD HAVE TO CEASE OPERATION. WHILE HIS COMMENT MAY BE EXAGGERATED, IT IS EVIDENT THAT COSTS ARE ALREADY HIGH AND THAT THE LUMBER INDUSTRY IS INCREASINGLY FEELING PINCH OF COMPETITION FROM U.S. SOUTHERN PINE, WHERE EUROCAN'S PARENT COMPANY IS IN PROCESS OF INVESTING. THUS, EUROCAN'S CONCERN IS PROBABLY LEGITIMATE, AND IF THE COMPANY CAN CONVINCE THE GOC THAT IT WOULD BE WIPED

OUT, OTTAWA MAY DECIDE THAT LONG-TERM THIRD OPTION INVESTMENT IS MORE IMPORTANT THAN PIPELINE FROM KITIMAT.

6. ALCAN, THE LARGEST EMPLOYER IN THE AREA, UNDOUBTEDLY SHARES SOME OF THE CONCERN OF EUROCAN, ALTHOUGH IT MIGHT BE BETTER ABLE TO ABSORB TEMPORARY DISLOCATIONS. ALREADY, HOWEVER, IT HAS PROBLEM KEEPING EMPLOYEES BECAUSE OF CLIMATE AND ISOLATION. ITS LABOR RELATIONS NEVERTHELESS SEEM TO BE RELATIVELY STABLE, AND POSSIBILITY OF MASSIVE INFLUX OF HIGHLY UNIONIZED WORKERS (SUCH AS TEAMSTERS IN ALASKA) DOES MAKE THEM ANXIOUS. ALMOST ALL LAND SUITABLE FOR UNLOADING DOCKS AND TANK FARMS IS OWNED BY ALCAN AND EUROCAN (MOSTLY ALCAN) AND THESE COMPANIES WOULD HAVE TO BE WILLING TO SELL BEFORE ANY CONSTRUCTION COULD BE UNDERTAKEN. THUS OPPOSITION BY THEM TO THE PIPELINE COULD BE AN IMPORTANT ROADBLOCK, EVEN IF ONLY TEMPORARY.

7. GREATEST CONCERN (OTHER THAN ENVIRONMENTAL) EVEN OF THOSE WHO THOROUGHLY ENDORSED KITIMAT OIL PIPELINE, WAS THAT CONSTRUCTION ACTIVITY SHOULD CAUSE DISRUPTIONS POLITICALLY, SOCIALLY, AND ECONOMICALLY, WITH FEAR OF "BIG UNIONISM" PERHAPS THE MAJOR WORRY. HOWEVER, THESE CONCERNS WOULD BE AT LEAST SOMEWHAT ASSUAGED IF POSITIVE SPIN-OFFS COULD BE PERCEIVED (E.G. PERMISSION TO TAP PIPELINE AT PRINCE GEORGE, B.C. TO FUEL ITS SMALL REFINERY), AND IF POSITIVE STEPS WERE TAKEN WELL IN ADVANCE TO MINIMIZE IMPACT OF CONSTRUCTION (E.G. EUROCAN DIRECTOR EVEN SUGGESTED ESTABLISHMENT OF SOME SORT OF DEVELOPMENT FUND TO BALANCE ANY POTENTIAL DISEQUILIBRIUM).

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PAGE 04 OTTAWA 04546 162251Z

8. COMMENT: IF A KITIMAT ROUTE IS TO BE SERIOUS CONTENDER, THOUGHT MUST BE GIVEN TO MEETING THESE CONCERNS AND TO DEMONSTRATING THAT THE BENEFITS OF THE PIPELINE TO LOCAL COMMUNITIES WILL OUTSEIGH ANY DISADVANTAGES. AS MUCH TIME AS POSSIBLE SHOULD BE ALLOWED FOR ADVANCE PLANNING AND DETERMINING WHAT THE LONG-TERM EFFECTS OF THE PIPELINE WOULD LIKELY BE ON REAL ESTATE VALUES, WAGES, PRICES, AND THE LOCAL ENVIRONMENT. (EMBOFF NOTED FROM HIS RECENT VISIT TO ALASKA THAT ALASKANS UNANIMOUSLY WISHED THERE HAD BEEN MORE TIME AVAILABLE FOR PLANNING.)

9. IN SUM, IF THERE IS THE HOPE TO BUILD A PIPELINE FROM KITIMAT TO EDMONTON, IT WILL BE IMPORTANT TO OBTAIN, AND KEEP, THE SUPPORT OF THE LOCAL POPULATION,

WHITE AND NATIVE. TO DO THIS, STEPS WILL HAVE TO BE  
TAKEN TO PROTECT THEIR ENVIRONMENT AND TO ASSURE  
MAXIMUM BENEFIT WILL ACCRUE ON A LONG-TERM BASIS;  
OTHERWISE THEIR UNITED OPPOSITION COULD BLOCK PROJECT.  
ENDERS

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